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Industry watchdogs warn of credit-booster sites

False credit boost could enable real estate loan fraud

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[By Janis Mara](#)
[Inman News](#)

Web sites offering ways for consumers to artificially boost their credit scores should be approached with caution by lenders and consumers, industry watchdogs say.

[Seasoned Trade Lines](#) of Largo, Fla., charges consumers \$1,000 to \$3,000 to artificially boost their credit ratings by adding them to established credit cardholders' accounts. The site, which launched in January, promises to "add up to 200 points to your credit score in 90 days," claiming that the average client's score increases 215 points.

Jim Croft, founder of the Mortgage Asset Research Institute, and other industry watchdogs said Seasoned Trade Lines is not the only site offering such a service, and that sites that do so are highly suspect.

"It's tricking the potential lender and, in the long run, not doing any favors for the potential borrower," said Croft. The Mortgage Asset Research Institute, MARI, is a group endorsed by the Mortgage Bankers Association that tracks mortgage fraud.

Mortgage lenders rely on a number of factors to decide whether to make a loan and how much interest they will charge, said Constance Wilson, executive vice president of fraud protection technology provider Interthinx. Wilson does fraud investigation and protection training for state and federal law enforcement, lenders and mortgage banking groups.

One of the most important factors is the applicant's credit score, which reflects such things as whether the applicant makes payments on time, Wilson said.

Once the person's score has been artificially boosted, they may qualify for a loan higher than they can afford, or display the same unreliable payment behavior that got them in trouble in the first place, ending up in foreclosure and far worse off than before they got the loan, Wilson said.

"As soon as I see (credit repair) sites like this I refer them to my contacts with the Federal Bureau of Investigation," Wilson said. She reported Seasoned Trade Lines to the FBI and the Federal Trade Commission when she first learned about it, she said.

According to the FTC, the agency has not taken any action against Seasoned Trade Lines, which filed as a limited liability company with the Florida State Division of Corporations Jan. 18. A spokesman for the agency said the FTC does not acknowledge whether complaints have been filed against individual companies.

The Better Business Bureau has no information on file about the month-and-a-half-old company. The Florida Department of Consumer Services has no record of any complaints against the company, and the Florida Attorney General's office has not received any complaints, the agencies said.

Steve DeJesus, who owns and operates Seasoned Trade Lines, said about eight or nine people have used the



Jim Croft,
Mortgage Asset
Research
Institute

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service since it launched in January. He said his clients have an average income of \$90,000 a year or better. "They are not going to flake out on the payments."

"A lot of them have the money, but not the credit," DeJesus said. "They have been paying cash all their lives and they don't want to have to wait to build up a credit score."

When asked about the people with bad credit histories who used his service, DeJesus said, "That's something they have to evaluate. People call me and tell me what their situation is. This type of program is not designed for everyone. If you have someone with a bad payment record, we may be able to raise their score 50 points, but at the end of the day, if we only raise the score 50 points, there's no point to it."

DeJesus added, "To some extent, it's also the responsibility of the loan company to make sure their client can make the payments."

"I'm not tricking anybody," he said. "With FICO, authorized users are reported just as if they had the account themselves. I didn't invent that. It does raise the credit score. When they pull their report, the score is there. How the score got there is irrelevant. The important thing is they have that score."

DeJesus said his company has affiliates "we do a lot of business with. We say, 'Hey, this guy may be able to get you into a loan,'" to clients who have used Seasoned Trade Lines' services to boost their scores. Other than that, he said, he does not get involved in the loan process.

MARI on Jan. 28 sent an alert about Seasoned Trade Lines to lenders through the company's service that shares information on potential fraud problems. MARI has also recently sent out alerts on other online credit repair companies, including Creditlaunchers.com, Croft said.

Tactics used by credit repair services to boost individuals' credit scores are legal, according to mortgage banking attorney Rachel Dollar, but if used with the intention of defrauding a bank, it can lead to risky situations for the lender and the borrower.



Rachel Dollar, The Dollar Law Firm

"You can add your children or spouse, your family members, to your credit card account," said Dollar, an attorney at The Dollar Law Firm, a mortgage banking law firm. "You can call up and say you want to put your daughter on your credit line and the credit card companies put your score on her credit report. That's legal," said Dollar.

"This (Seasoned Trade Lines) is using that loophole to artificially inflate someone's credit score with intent to get a lender to give them a loan they wouldn't otherwise qualify for. It's not the conduct, it's the intent behind the conduct that could criminalize it," Dollar said.

Robert Simpson, an attorney and president of Irvine, Calif.-based Investors Mortgage Asset Recovery Co., said, "I have never investigated credit companies, but if a credit bureau keeps a record of your payments and does so accurately, any attempt to modify that to an untruth, and done with intent, is fraud."

Simpson's firm works with mortgage lenders, insurers, and investors to recover losses related to mortgage fraud.

"Someone can end up getting a loan they are not qualified for and in essence being buried in debt. You can also end up in a very precarious position because you have provided your Social Security number and credit information to people whose business model is at best shady and at worst operating outside the law," said Simpson.

"If a good credit history was not important, then lenders wouldn't place so much importance on it," said Wilson of Interthinx. "We as lenders have found it useful, and it has significant weight on our decision."

"In effect, (credit enhancement sites) are putting borrowers at risk because that borrower has qualified for a loan that they truly cannot support. So now they're going to wind up in a worse position than they were, on top of the fact that they can be prosecuted," Wilson said.

There are ways consumers can repair their credit that don't involve expensive assistance from credit repair companies. The Federal Trade Commission details these steps in ["Credit Repair: Self-Help May Be Best,"](#) a

publication available online, as well as the FTC's "[Building A Better Credit Report.](#)"

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